

Message Text

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ACTION SS-25

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FM AMEMBASSY CAIRO

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C O N F I D E N T I A L CAIRO 9668

EXDIS

E.O. 11652: GDS

TAGS: EINV, PFOR, EG

SUBJECT: FORD INVESTMENT PROPOSAL: ADVERSE PUBLICITY

1. AT LUNCHEON GIVEN FOR VISITING COUNTRY DIRECTOR
NEWBERRY, GAZARINE TOLD DCM OF HIS CONCERNS
OVER PUBLICATION IN JULY 12 ISSUE OF ROSE EL YOUSIF
(LEFTIST WEEKLY NEWS MAGAZINE) OF SIGNIFICANT ASPECTS
OF FORD PROPOSAL. GAZARINE FELT IT WAS PARTICULARLY
UNFORTUNATE THAT ARTICLE APPEARED AT THIS PARTICULAR
JUNCTURE, AND WAS ALSO CONCERNED OVER EVIDENT LEAK
THAT HAD OCCURRED. INFORMATION TRANSLATION OF
TEXT APPEARS BELOW:

BEGIN TEXT: THE FORD CORPORATION HAS PRESENTED
A STRANGE OFFER FOR AN INVESTMENT IN EGYPT.
IT IS FOR THE PRODUCTION OF DIESEL ENGINES AND
TRUCKS AND HAS THE FOLLOWING STIPULATIONS:
(A) EGYPT IS TO APPROVE GRANTING THE
COMPANY LOCAL LOANS AT LOW INTEREST AND ASSIST
THE COMPANY IN OBTAINING FOREIGN LOANS; (B) EGYPT
IS TO EXEMPT THE COMPANY FROM ALL TAXES FOR A
PERIOD OF 25 YEARS - D.V.I.E., 20 YEARS MORE THAN
OTHER PROJECTS OPERATING UNDER LAW 43; (C) EGYPT
IS TO APPROVE, IN CASE THE PROJECT IS ESTABLISHED
IN A FREE ZONE, THE COMPANY'S DEALINGS IN
EGYPTIAN POUNDS; (D) CUSTOMS DUTIES EXEMPTIONS
FOR ALL IMPORTED MACHINERY AND EQUIPMENT;
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(E) EXEMPTION FROM THE REGULATIONS OF THE

"COMPANY'S LAW" AS WELL AS THE REQUIREMENT TO PROVIDE HOUSING FOR LABORERS AND EMPLOYEES; (F) COMPANY IS TO ENJOY RIGHT TO USE ITS OWN FOREIGN CURRENCY REVENUES AND DEAL IN FOREIGN CURRENCY WITHOUT ANY CONTROLS; (G) FORD HAS NO OBJECTION TO PARTICIPATION IN THE PROJECT BY FORD/EGYPT. THE COMPANY'S PROPOSAL IS STILL UNDER STUDY. END TEXT.

2. COMMENT: IT MAY NOT BE SO SURPRISING THAT PARTS OF THE PROPOSAL HAVE LEAKED, GIVEN THE NUMBER OF PEOPLE PARTICIPATING IN THE DISCUSSIONS, BUT EMBASSY AGREES THAT BOTH THE TIMING AND THE CONTENTS OF THE ARTICLE ARE UNFORTUNATE. WHILE LIKELIHOOD THAT GOE WOULD GRANT MANY OF THE REQUESTS MADE BY FORD HAS DIMINISHED SHARPLY IN PAST SEVERAL WEEKS, FACT THAT COMPANY IS REPORTED TO HAVE ASKED FOR THEM IS ALMOST CERTAIN TO PLAY INTO HANDS OF THOSE OPPOSED TO FOREIGN PRIVATE CAPITAL, AND, AS A DIRECT RESULT, ENTIRE OPEN DOOR POLICY.

3. IT IS WORTH REMEMBERING THAT SHORTLY BEFORE GOODYEAR PROPOSAL WAS REJECTED AND REPLACED BY ONE FROM MICHELIN, ROSE EL YOUSIF QUOTED MINECON SHAFEI AS SAYING "ANYONE WHO RECOMMENDED APPROVAL OF GOODYEAR PROPOSAL HAS CLEARLY BEEN PAID TO DO SO". THIS

DAMNING STATEMENT, WHICH HAS NEVER BEEN DENIED, IS TYPE OF PUBLICITY THAT INVESTMENT PROPOSALS CAN CLEARLY DO WITHOUT. ROSE EL YOUSIF, HOWEVER, AS WELL AS OTHERS, CAN BE COUNTED UPON TO DO ALL THEY CAN TO RENDER IMPLEMENTATIO OF OPEN DOOR MORE DIFFICULT. EILTS

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